

CITY OF BRITT

INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS

JUNE 30, 2022

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CITY OF BRITT

OFFICIALS

(Before January 2022)

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Ryan Arndorfer	Mayor	Jan 2022
Curt Gast	Mayor Pro tem	Jan 2024
Karrie Wallen	Council Member	Jan 2024
Stacy Swenson	Council Member	Jan 2024
Paul Verbrugge	Council Member	Jan 2022
Chad Luecht	Council Member	Jan 2022
Debra Sawyer	City Administrator/Clerk	Indefinite
Elizabeth Ibarra	Deputy City Clerk	Indefinite
Jane Swenson	Treasurer	Indefinite
Earl Hill	Attorney	Indefinite

(After January 2022)

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Ryan Arndorfer	Mayor	Jan 2024
Curt Gast	Mayor Pro tem	Jan 2024
Karrie Wallen	Council Member	Jan 2024
Stacy Swenson	Council Member	Jan 2024
Ashley Weiss	Council Member	Jan 2026
Chad Luecht	Council Member	Jan 2026
Elizabeth Ibarra	City Administrator/Clerk	Indefinite
Marcy Mayland	Deputy City Clerk	Indefinite
Jane Swenson	Treasurer	Indefinite
Earl Hill	Attorney	Indefinite

Fort & Schlegel C.P.A., P.C.

CERTIFIED PUBLIC ACCOUNTANTS & ADVISORS

Independent Auditor's Report

To the Honorable Mayor and
Members of the City Council:

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of City of Britt, Iowa, as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the City's basic financial statements listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of City of Britt as of June 30, 2022, and the respective changes in cash basis financial position for the year then ended in accordance with the cash basis of accounting described in Note 1.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of Financial Statements section of our report. We are required to be independent of City of Britt, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Basis of Accounting

We draw attention to Note 1 of the financial statements, which describes the basis of accounting. The financial statements are prepared on the cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinions are not modified with respect to this matter.

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Fort Dodge, IA
515.955.5560

3131 Main St.
Emmetsburg, IA
712.852.4464

109 2nd St. NE
Mason City, IA
641.423.7155

516 N. Water St.
Goldfield, IA
515.825.3339

4 Main Ave. S
Britt, IA
641.843.3729

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the cash basis of accounting described in Note 1, and for determining that the cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City of Britt's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and Government Auditing Standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgement made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and Government Auditing Standards, we:

- Exercise professional judgement and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City of Britt's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City of Britt's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise City of Britt's basic financial statements. We previously audited, in accordance with the standards referred to in the "Auditor's Responsibilities for the Audit of the Financial Statements" section of this report, the financial statements for the nine years ended June 30, 2021 (which are not presented herein) and expressed unmodified opinions on those financial statements which were prepared on the cash basis of accounting. The supplementary information included in Schedules 1 through 2, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information in Schedules 1 through 2 is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the Budgetary Comparison Information, the Schedule of the City's Proportionate Share of the Net Pension Liability and the Schedule of City Contributions on pages 25 through 29 but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated April 27, 2023 on our consideration of City of Britt's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering City of Britt's internal control over financial reporting and compliance.

April 27, 2023



Fort & Schlegel C.P.A., P.C.
Britt, Iowa

BASIC FINANCIAL STATEMENTS

Cash Basis Statement of Activities and Net Position

As of and for the year ended June 30, 2022

	Program Receipts					Net (Disbursements) Receipts and
						Changes in Cash Basis Net Position
	Operating Grants,					
	Charges	Contributions		Business		
	for	and Restricted	Governmental	Type		
	Service	Interest	Activities	Activities	Total	
Disbursements						
Functions / Programs:						
Governmental activities:						
Public safety	\$ 648,421		32,905	(615,516)		(615,516)
Public works	576,055	127,757	283,173	(165,125)		(165,125)
Health and social services	5,300			(5,300)		(5,300)
Culture and recreation	287,007	57,419	14,432	(215,156)		(215,156)
Community and economic development	95,219			(95,219)		(95,219)
General government	183,665			(183,665)		(183,665)
Debt service	512,120			(512,120)		(512,120)
Capital projects	1,324,242			(1,324,242)		(1,324,242)
Total governmental activities	3,632,029	185,176	330,510	(3,116,343)		(3,116,343)
Business type activities:						
Water	326,453	634,503		308,050		308,050
Sewer	312,600	306,702		(5,898)		(5,898)
Storm Water	4,924	62,679		57,755		57,755
Total business type activities	643,977	1,003,884		359,907		359,907
Total	\$ 4,276,006	1,189,060	330,510	(3,116,343)	359,907	(2,756,436)
General Receipts and Transfers:						
Property tax levied for:						
General purposes				559,265		559,265
Employee benefits and insurance				89,821		89,821
Debt service				410,471		410,471
Capital improvement reserve				10,054		10,054
Local option sales tax				339,452		339,452
Commercial/industrial tax replacement				73,380		73,380
American Rescue Plan Act				146,159		146,159
Unrestricted interest on investments				5,636	2,532	8,168
Bond/loan proceeds				1,605,763		1,605,763
Miscellaneous				184,228		184,228
Transfers, net				70,000	(70,000)	
Total general receipts and transfers				3,494,229	(67,468)	3,426,761
Change in cash basis net position				377,886	292,439	670,325
Cash basis net position beginning of year				932,194	971,943	1,904,137
Cash basis net position end of year				\$ 1,310,080	1,264,382	2,574,462
Cash Basis Net Position						
Restricted:						
Expendable:						
Streets				\$ 37,964		37,964
Debt service				105,509		105,509
Other purposes				959,383		959,383
Unrestricted				207,224	1,264,382	1,471,606
Total cash basis net position				\$ 1,310,080	1,264,382	2,574,462

See notes to financial statements.

Statement of Cash Receipts, Disbursements and Changes in Cash Balances
Governmental Funds

As of and for the year ended June 30, 2022

	Special Revenue						
	General	Road Use Tax	Local Option	Debt Service	Capital Projects	Nonmajor	Total
Receipts:							
Property tax	\$559,265			410,471		89,821	1,059,557
Other city tax	8,954		339,452				348,406
Licenses and permits	7,360						7,360
Use of money and property	7,686		939				8,625
Intergovernmental	89,624	283,173			146,159	72,275	591,231
Charges for services	185,176						185,176
Special assessments				17,327			17,327
Miscellaneous	99,158	736			300	16,276	116,470
Total receipts	957,223	283,909	340,391	427,798	146,459	178,372	2,334,152
Disbursements:							
Operating:							
Public safety	540,884					107,537	648,421
Public works	174,257	381,944				19,854	576,055
Health and social services	5,300						5,300
Culture and recreation	267,779					19,228	287,007
Community and economic development	17,500		76,715			1,004	95,219
General government	188,160					(4,495)	183,665
Debt service	45,216			403,590	63,314		512,120
Capital projects					1,324,242		1,324,242
Total disbursements	1,239,096	381,944	76,715	403,590	1,387,556	143,128	3,632,029
Excess (deficiency) of receipts over (under) disbursements	(281,873)	(98,035)	263,676	24,208	(1,241,097)	35,244	(1,297,877)
Other financing sources (uses):							
Loan proceeds					36,000		36,000
Bond proceeds					1,569,763		1,569,763
Transfers in	249,503	100,900					350,403
Transfers out			(265,900)			(14,503)	(280,403)
Total other financing sources (uses)	249,503	100,900	(265,900)		1,605,763	(14,503)	1,675,763
Change in cash balance	(32,370)	2,865	(2,224)	24,208	364,666	20,741	377,886
Cash balances beginning of year	159,594	35,099	534,479	81,301	(140,047)	261,768	932,194
Cash balances end of year	\$127,224	37,964	532,255	105,509	224,619	282,509	1,310,080
Cash Basis Fund Balances							
Restricted For:							
Debt services				105,509			105,509
Streets		37,964					37,964
Other purposes			532,255		224,619	202,509	959,383
Unassigned	\$127,224					80,000	207,224
Total cash basis fund balances	\$127,224	37,964	532,255	105,509	224,619	282,509	1,310,080

See notes to financial statements.

Exhibit C

City of Britt

Statement of Cash Receipts, Disbursements and Changes in Cash Balances
Proprietary Funds

As of and for the year ended June 30, 2022

	Enterprise Funds			
	Water	Sewer	Storm Water	Total
Operating receipts:				
Charges for service	\$ 634,503	306,702	62,679	1,003,884
Total operating receipts	634,503	306,702	62,679	1,003,884
Operating disbursements:				
Business type activities	326,453	312,600	4,924	643,977
Total operating disbursements	326,453	312,600	4,924	643,977
Excess (deficiency) of operating receipts over (under) operating disbursements	308,050	(5,898)	57,755	359,907
Non-operating receipts:				
Interest on investments	1,103	1,429		2,532
Excess (deficiency) of receipts over (under) disbursements	309,153	(4,469)	57,755	362,439
Transfers in	50,000	60,000		110,000
Transfers out	(50,000)	(130,000)		(180,000)
Change in cash balances	309,153	(74,469)	57,755	292,439
Cash balances beginning of year	349,608	497,834	124,501	971,943
Cash balances end of year	\$ 658,761	423,365	182,256	1,264,382
Cash Basis Fund Balances				
Unrestricted	\$ 658,761	423,365	182,256	1,264,382
Total cash basis fund balances	\$ 658,761	423,365	182,256	1,264,382

See notes to financial statements.

CITY OF BRITT

Notes to Financial Statements

June 30, 2022

(1) Summary of Significant Accounting Policies

The City of Britt is a political subdivision of the State of Iowa located in Hancock County. It was first incorporated in 1878 and operates under the Home Rule provisions of the Constitution of Iowa. The City operates under the Mayor-Council form of government with the Mayor and Council Members elected on a non-partisan basis. The City provides numerous services to citizens including public safety, public works, health and social services, culture and recreation, community and economic development and general government services. The City of Britt also provides water and sewer utilities for its citizens.

A. Reporting Entity

For financial reporting purposes, City of Britt has included all funds, organizations, agencies, commissions and authorities. The City has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the City to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the City. The City of Britt has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations

The City participates in several jointly governed organizations that provide goods or services to the citizenry of the City but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. City officials are members of the following boards and commissions: Hancock County Assessor's Conference Board and Hancock County Development Commission, Hancock County Disaster/911 and Hancock County Task Force.

B. Basis of Presentation

Government-wide Financial Statements – The Cash Basis Statement of Activities and Net Position reports information on all of the nonfiduciary activities of the City. For the most part, the effect of interfund activity has been removed from this statement. Governmental activities, which are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for service.

The Cash Basis Statement of Activities and Net Position presents the City's nonfiduciary net position. Net position is reported in the following categories:

Nonexpendable restricted net position are subject to externally imposed stipulations which require the cash balance to be maintained permanently by the City, including the City's Permanent Fund.

CITY OF BRITT
Notes to Financial Statements
June 30, 2022

Expendable restricted net position results when constraints placed on the use of cash balances are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net position consists of cash balances not meeting the definition of the preceding categories. Unrestricted net position is subject to constraints imposed by management which can be removed or modified.

The Cash Basis Statement of Activities and Net Position demonstrates the degree to which the direct disbursements of a given function are offset by program receipts. Direct disbursements are those clearly identifiable with a specific function. Program receipts include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function and 2) grants, contributions and interest on investments restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program receipts are reported instead as general receipts.

Fund Financial Statements - Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor governmental funds.

The City reports the following major governmental funds:

The General Fund is the general operating fund of the City. All general tax receipts and other receipts not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating disbursements, the fixed charges and the capital improvement costs that are not paid from other funds.

Special Revenue:

The Local Option Tax Fund is used to account for local option sales tax collected.

The Road Use Tax Fund is used to account for the road use tax allocation from the State of Iowa to be used for road construction and maintenance.

The Debt Service Fund is utilized to account for property tax and other receipts to be used for the payment of interest and principal on the City's general long-term debt.

The Capital Projects Fund is used to account for all resources used in the acquisition and construction of capital facilities with the exception of those financed through Enterprise Funds.

The City reports the following major proprietary funds:

CITY OF BRITT
Notes to Financial Statements
June 30, 2022

The Enterprise, Water Fund accounts for the operation and maintenance of the City's water system.

The Enterprise, Sewer Fund accounts for the operation and maintenance of the City's wastewater treatment and sanitary sewer system.

The Enterprise, Storm Water accounts for the operation and maintenance of the City's storm sewer system.

C. Measurement Focus and Basis of Accounting

The City of Britt maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with U.S. generally accepted accounting principles.

Under the terms of grant agreements, the City funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants and general receipts. Thus, when program disbursements are paid, there are both restricted and unrestricted cash basis net position available to finance the program. It is the City's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants and then by general receipts.

When a disbursement in governmental funds can be paid using either restricted or unrestricted resources, the City's policy is generally to first apply the disbursement toward restricted fund balance and then to less-restrictive classifications-committed, assigned and then unassigned fund balances.

Proprietary funds distinguish operating receipts and disbursements from non-operating items. Operating receipts and disbursements generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All receipts and disbursements not meeting this definition are reported as non-operating receipts and disbursements.

D. Property Taxes and Governmental Cash Basis Fund Balances:

The following accounting policies are followed in preparing the financial statements:

Property tax revenues recognized in these funds become due and collectible in September and March of the current fiscal year with a 1 ½% per month penalty for delinquent payments; is based on January 1, 2020 assessed property valuations; is for the tax accrual period July 1, 2021 through June 30, 2022 and reflects tax asking contained in the budget certified to the City Council in March 2021.

CITY OF BRITT
Notes to Financial Statements
June 30, 2022

In the governmental fund financial statements, cash basis fund balances are classified as follows:

Nonspendable – Amounts which cannot be spent because they are legally or contractually required to be maintained intact.

Restricted – Amounts restricted to specific purposes when constraints placed on the use of the resources are either externally imposed by creditors, grantors, or state or federal laws are imposed by law through constitutional provisions or enabling legislation.

Assigned – Amounts the City Council intends to use for specific purposes.

Unassigned – All amounts not included in the preceding classifications.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Other Information. During the year ended June 30, 2022, disbursements exceeded the amounts budgeted in debt service, and capital projects functions.

(2) Cash and Pooled Investments

The City's deposits in banks at June 30, 2022 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The City is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the City Council; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

Interest rate risk-The City's investment policy limits the investment of operating funds (funds expected to be expended in the current budget year or within 15 months of receipt) to instruments that mature within 397 days. Funds not identified as operating funds may be invested in investments with maturities longer than 397 days, but the maturities shall be consistent with the needs and use of the City.

CITY OF BRITT
Notes to Financial Statements
June 30, 2022

(3) Bonds And Notes Payable

A summary of changes in bonds and notes payable for the year ended June 30, 2022 is as follows:

	Beginning Balances	Increases	Decreases	Ending Balances	Due Within One Year
Governmental activities:					
General obligation bonds	\$1,883,053		411,727	1,471,326	287,574
General obligation loan		36,000		36,000	36,000
Governmental activities total	<u>1,883,053</u>	<u>36,000</u>	<u>411,727</u>	<u>1,507,326</u>	<u>323,574</u>
Business type activities:					
Water revenue notes	\$ 405,000		30,000	375,000	35,000
Water revenue notes - direct borrowing		1,592,813	53,000	1,516,763	54,000
Business-type activities total	<u>\$ 405,000</u>	<u>1,592,813</u>	<u>83,000</u>	<u>1,891,763</u>	<u>89,000</u>

General Obligation Bonds

A summary of the City's June 30, 2022 general obligation bonds and loans payable is as follows:

Year Ending June 30,	Street Improvement Issued September 18, 2012			1st Street Issued September 29, 2011			Capital Loan Notes Series 2017 Issued May 4, 2017		
	Interest Rates	Principal	Interest	Interest Rates	Principal	Interest	Interest Rates	Principal	Interest
2023	2.55%	\$ 20,000	1,045	3.55%	\$ 90,000	6,525	2.70%	\$ 60,000	15,830
2024	2.55	21,000	535	3.70	90,000	3,330	3.00	60,000	14,210
2025							3.20	65,000	12,410
2026							3.40	65,000	10,330
2027							3.70	70,000	8,120
2028-2032							3.90-4.00	140,000	8,330
Total		<u>\$ 41,000</u>	<u>1,580</u>		<u>\$ 180,000</u>	<u>9,855</u>		<u>\$ 460,000</u>	<u>69,230</u>

CITY OF BRITT
Notes to Financial Statements
June 30, 2022

Year Ending June 30,	Urban Renewal Bonds Series 2018 Issued October 16, 2018			Golf Course Issued July 7, 2020			Police Vehicle Issued May 12, 2022		
	Interest	Principal	Interest	Interest	Principal	Interest	Interest	Principal	Interest
	Rates			Rates			Rates		
2023	2.70%	\$ 75,000	19,810	2.00%	\$ 42,574	2,643	4.50%	\$ 36,000	221
2024	2.70	75,000	17,784	2.00	43,437	1,779			
2025	2.90	80,000	15,760	2.00	44,315	901			
2026	2.90	80,000	13,440						
2027	3.10	85,000	11,120						
2028-2032	3.10-3.25	265,000	17,260						
Total		<u>\$ 660,000</u>	<u>95,174</u>		<u>\$130,326</u>	<u>5,323</u>		<u>\$ 36,000</u>	<u>221</u>

Year Ending June 30,	Total		
	Principal	Interest	Total
2023	\$ 323,574	46,074	369,648
2024	289,437	37,638	327,075
2025	189,315	29,071	218,386
2026	145,000	23,770	168,770
2027	155,000	19,240	174,240
2028-2032	405,000	25,590	430,590
Total	<u>\$1,507,326</u>	<u>181,383</u>	<u>1,688,709</u>

On September 18, 2012, the City issued \$222,000 of general obligation bonds with interest rates ranging from 0.75% to 2.55% per annum. The bonds were issued for street repairs. During the year ended June 30, 2022, the City paid \$20,000 of principal and \$1,437 of interest on the bonds.

On September 29, 2011, the City issued \$930,000 of general obligation bonds with interest rates ranging from 0.93% to 3.70% per annum. The bonds were issued for street improvements. During the year ended June 30, 2022, the City paid \$85,000 of principal and \$9,373 of interest on the bonds.

On May 22, 2012, the City issued \$1,290,000 of general obligation bonds with interest rates ranging from 0.60% to 2.25% per annum. The bonds were issued to refund 2007 and 2008 bonds. During the year ended June 30, 2022, the City paid \$135,000 of principal and \$3,038 of interest on the bonds.

CITY OF BRITT
Notes to Financial Statements
June 30, 2022

On May 4, 2017, the City issued \$860,000 of general obligation bonds with interest rates ranging from 1.5% to 4.0% per annum. The bonds were issued for multiple City projects. During the year ended June 30, 2022, the City paid \$60,000 of principal and \$17,330 of interest on the bonds.

On October 16, 2018, the City issued \$800,000 of general obligation bonds with interest rates ranging from 2.5% to 3.25% per annum. The bonds were issued to pay the costs of aiding in planning, undertaking and carrying out of the Urban Renewal area. During the year ended June 30, 2022, the City paid \$70,000 of principal and \$21,560 of interest on the bonds.

On July 7, 2020, the City issued \$172,053 of general obligation loan with interest rates of 2.0% per annum. The loan was issued to purchase the Britt Country Club. During the year ended June 30, 2022, the City paid \$41,727 of principal and \$3,489 of interest on the bonds.

On May 12, 2022, the City issued \$36,000 of general obligation loan at an interest rate of 4.5%. The loan was issued to purchase a police vehicle. The loan was paid off in July, 2022.

Revenue Notes

Year Ending June 30,	Water Issued August 19, 2020			Total		
	Interest Rates	Principal	Interest	Principal	Interest	Total
2023	1.65%	\$ 35,000	6,273	35,000	6,273	41,273
2024	1.65	35,000	6,704	35,000	6,704	41,704
2025	1.65	35,000	5,102	35,000	5,102	40,102
2026	1.65	35,000	4,517	35,000	4,517	39,517
2027	1.65	35,000	3,932	35,000	3,932	38,932
2028-2032	1.65	200,000	11,049	200,000	11,049	211,049
Total		<u>\$ 375,000</u>	<u>37,577</u>	<u>375,000</u>	<u>37,577</u>	<u>412,577</u>

On August 19, 2020, the City issued \$440,000 of water revenue notes to provide financing for the construction of water main improvements. The notes bear interest at a rate of 1.65% per annum. During the year ended June 30, 2022, the City paid principal of \$30,000 and interest of \$6,775 on the notes.

Water Revenue Notes – Direct Borrowing

On September 7, 2021, the City entered into a State Revolving Fund (SRF) loan and disbursement agreement with the Iowa Finance Authority (IFA) for the issuance of up to \$1,290,000 of water revenue capital loan notes with interest at 1.75% per annum. The notes were issued pursuant to Chapters 384.24A and 384.83 of the Code of Iowa to provide financing for the construction of a new water tower. In the event of a default, the issuer shall have the right to take any action authorized under the regulations, the revenue note or the agreement and to take whatever action at law or equity may appear necessary or desirable to collect the amounts then due and thereafter to become due under

CITY OF BRITT
Notes to Financial Statements
June 30, 2022

the agreement or to enforce the performance and observance of any duty, covenant, obligation or agreement of the participant under the agreement. During the year ended June 30, 2022, the City drew down \$1,177,751 of the authorized amount, leaving a balance of \$112,249 to draw. An initiation fee of \$6,450, 0.5% of the authorized borrowing for the water revenue notes, was charged by the IFA. The agreement also requires the City to pay 0.25% servicing fee on the outstanding principal balance.

The City has pledged future water customer receipts, net of specified operating, disbursements, to repay \$1,290,000 of water revenue notes issued in September, 2021. The notes are payable solely from water customer net receipts. A final repayment schedule has not yet been issued for the notes. For the current year, principal and interest paid and total customer net receipts were \$63,314 and \$308,050 respectively.

The resolutions providing for the issuance of the water revenue notes include the following provisions:

- (a) The notes will only be redeemed from the future earnings of the enterprise activity and the note holders hold a lien on the future earnings of the funds.
- (b) Sufficient monthly transfers shall be made to separate water revenue note sinking account within the Enterprise Funds for the purpose of making the note principal and interest payments when due.
- (c) Additional monthly transfers shall be made to a water utility operation and maintenance fund within the Enterprise Funds. This account is restricted for the purpose of paying for any additional improvements, extensions or repairs to the system.
- (d) All funds remaining in the water account after the payment of all maintenance and operating expenses and required transfers shall be placed in a water revenue surplus account within the Enterprise Funds. This account is restricted for the purpose of paying for any improvement, extension or repair to the system or for note and interest payments which the other accounts might be unable to make.

Water Revenue Notes – Direct Borrowing

On July 15, 2022, the City entered into a State Revolving Fund (SRF) loan and disbursement agreement with the Iowa Finance Authority (IFA) for the issuance of up to \$6,902,000 water revenue notes with interest at 1.75% per annum. The notes were issued pursuant to the provisions of Chapters 384.24A and 384.83 of the Code of Iowa to pay the costs of constructing and improvements to the City's water treatment plant. The City will draw down funds from the IFA upon request to reimburse the City for costs as they are incurred. In the event of default, the issuer shall have the right to take any action authorized under the regulations, the revenue note or the agreement and to take whatever other action at law or equity may appear necessary or desirable to collect the amounts then due and thereafter to become due under the agreement or to enforce the performance and observance of any duty, covenant, obligation or agreement of the participant under the agreement. The City was allowed to draw funds for design and planning prior to the close date. During the year ended June 30, 2022, the City drew down \$415,062 of the authorized amount, leaving a balance of \$6,486,938 to draw. An

CITY OF BRITT
Notes to Financial Statements
June 30, 2022

initiation fee of \$16,600, 0.5% of the authorized borrowing for the water revenue notes, was charged by the IFA. The agreement also requires the City to pay 0.25% servicing fee on the outstanding principal balance. A final repayment schedule has not yet been adopted for the notes. No principal or interest payments were made during the year ended June 30, 2022.

(4) Pension Plan

Plan Description - IPERS membership is mandatory for employees of the City, except for those covered by another retirement system. Employees of the City are provided with pensions through a cost-sharing multiple employer defined benefit pension plan administered by Iowa Public Employees' Retirement System (IPERS). IPERS issues a stand-alone financial report which is available to the public by mail at P.O. Box 9117, Des Moines, Iowa 50306-9117 or at www.ipers.org.

IPERS benefits are established under Iowa Code chapter 97B and the administrative rules thereunder. Chapter 97B and the administrative rules are the official plan documents. The following brief description is provided for general informational purposes only. Refer to the plan documents for more information.

Pension Benefits – A regular member may retire at normal retirement age and receive monthly benefits without an early-retirement reduction. Normal retirement age is age 65, anytime after reaching age 62 with 20 or more years of covered employment, or when the member's years of service plus the member's age at the last birthday equals or exceeds 88, whichever comes first. These qualifications must be met on the member's first month of entitlement to benefits. Members cannot begin receiving retirement benefits before age 55. The formula used to calculate a Regular member's monthly IPERS benefit includes:

- A multiplier based on years of service.
- The member's highest five-year average salary, except members with service before June 30, 2012, will use the highest three-year average salary as of that date if it is greater than the highest five-year average salary.

Protection occupation members may retire at normal retirement age, which is generally age 55 and may retire any time after reaching age 50 with 22 or more years of covered employment. The formula used to calculate a protection occupation member's monthly IPERS benefit includes:

- 60% of average salary after completion of 22 years of service, plus an additional 1.5% of average salary for more than 22 years of service but not more than 30 years of service.
- The member's highest three-year average salary.

CITY OF BRITT
Notes to Financial Statements
June 30, 2022

If a member retires before normal retirement age, the member's monthly retirement benefit will be permanently reduced by an early-retirement reduction. The early-retirement reduction is calculated differently for service earned before and after July 1, 2012. For service earned before July 1, 2012, the reduction is 0.25% for each month the member receives benefits before the member's earliest normal retirement age. For service earned on or after July 1, 2012, the reduction is 0.50% for each month that the member receives benefits before age 65.

Generally, once a member selects a benefit option, a monthly benefit is calculated and remains the same for the rest of the member's lifetime. However, to combat the effects of inflation, retirees who began receiving benefits prior to July 1990 receive a guaranteed dividend with their regular November benefit payments.

Disability and Death Benefits - A vested member who is awarded federal Social Security disability or Railroad Retirement disability benefits is eligible to claim IPERS benefits regardless of age. Disability benefits are not reduced for early retirement. If a member dies before retirement, the member's beneficiary will receive a lifetime annuity or a lump-sum payment equal to the present actuarial value of the member's accrued benefit or calculated with a set formula, whichever is greater. When a member dies after retirement, death benefits depend on the benefit option the member selected at retirement.

Contributions - Contribution rates are established by IPERS following the annual actuarial valuation, which applies IPERS' Contribution Rate Funding Policy and Actuarial Amortization Method. State statute limits the amount rates can increase or decrease each year to 1 percentage point. IPERS Contribution Rate Funding Policy requires that the actuarial contribution rate be determined using the "entry age normal" actuarial cost method and the actuarial assumptions and methods approved by the IPERS Investment Board. The actuarial contribution rate covers normal cost plus the unfunded actuarial liability payment based on a 30-year amortization period. The payment to amortize the unfunded actuarial liability is determined as a level percentage of payroll, based on the Actuarial Amortization Method adopted by the Investment Board.

In fiscal year 2022, pursuant to the required rate, Regular members contributed 6.29% of covered payroll and the City contributed 9.44% of covered payroll, for a total rate of 15.73%. Protection occupation members contributed 6.21% of covered payroll and the City contributed 9.31% of covered payroll, for a total rate of 15.52%.

The City's contributions to IPERS for the year ended June 30, 2022 totaled \$57,387.

Net Pension Liabilities (Asset), Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions - At June 30, 2022, the City reported a liability of \$(180,981) for its proportionate share of the collective net pension liability (asset). The net pension liability (asset) was measured as of June 30, 2021, and the total pension liability (asset) used to calculate the net pension liability (asset) was determined by an actuarial valuation as of that date. The City's proportion of the net pension liability (asset) was based on the City's share of contributions to IPERS relative to the contributions of all IPERS participating employers. At June 30, 2021, the City's proportion was 0.0524238%, which was an increase of 0.047811% over its proportion measured as of June 30, 2020.

CITY OF BRITT
Notes to Financial Statements
June 30, 2022

For the year ended June 30, 2022 the City's pension expense, deferred outflows of resources and deferred inflows of resources totaled \$(20,666), \$80,676 and \$451,644 respectively.

There were no non-employer contributing entities to IPERS.

Actuarial Assumptions - The total pension liability (asset) in the June 30, 2021 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement.

Rate of inflation (effective June 30, 2017)	2.60% per annum.
Rates of salary increase (effective June 30, 2017)	3.25 to 16.25% average, including inflation. Rates vary by membership group.
Long-term investment rate of return (effective June 30, 2017)	7.00% compounded annually, net of investment expense, including inflation.
Wage growth (effective June 30, 2017)	3.25% per annum, based on 2.60% inflation and 0.65% real wage inflation.

The actuarial assumptions used in the June 30, 2021 valuation were based on the results of an economic assumption study dated March 24, 2017 and a demographic assumption study dated June 28, 2018.

Mortality rates used in the 2021 valuation were based on the RP-2014 Employee and Healthy Annuitant Table with MP-2017 general adjustments.

The long-term expected rate of return on IPERS investments was determined using a building-block method in which best-estimate ranges of expected future real rates (expected returns, net of investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table:

Asset Class	Asset Allocation	Long-Term Expected Real Rate of Return
Domestic equity	22.0%	4.43%
International equity	17.5	6.01
Global smart beta equity	6.0	5.10
Core plus fixed income	26.0	0.29
Public credit	4.0	2.08
Cash	1.0	(0.25)
Private equity	13.0	9.51
Private real assets	7.5	4.63
Private credit	3.0	2.87
Total	100.0%	

CITY OF BRITT
Notes to Financial Statements
June 30, 2022

Discount Rate - The discount rate used to measure the total pension liability was 7.00%. The projection of cash flows used to determine the discount rate assumed employee contributions will be made at the contractually required rate and contributions from the City will be made at contractually required rates, actuarially determined. Based on those assumptions, IPERS' fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on IPERS' investments was applied to all periods of projected benefit payments to determine the total pension liability (asset).

Sensitivity of the City's Proportionate Share of the Net Pension Liability (Asset) to Changes in the Discount Rate - The following presents the City's proportionate share of the net pension liability (asset) calculated using the discount rate of 7.0%, as well as what the City's proportionate share of the net pension liability (asset) would be if it were calculated using a discount rate that is 1% lower (6.0%) or 1% higher (8.0 %) than the current rate.

	1% Decrease (6.00%)	Discount Rate (7.00%)	1% Increase (8.00%)
City's proportionate share of the net pension liability (asset)	\$174,028	(180,981)	(478,314)

IPERS' Fiduciary Net Position - Detailed information about IPERS' fiduciary net position is available in the separately issued IPERS financial report which is available on IPERS' website at www.ipers.org.

(5) Compensated Absences

City employees accumulate a limited amount of earned but unused vacation and comp time hours for subsequent use or for payment upon termination, retirement or death. Sick leave hours are accumulated for subsequent use but are not paid upon termination, retirement, or death. These accumulations are not recognized as disbursements by the City until used or paid. The City's approximate liability for earned vacation and comp time termination payments payable to employees at June 30, 2022, primarily relating to the General Fund, is as follows:

<u>Type of Benefit</u>	<u>Amount June 30, 2022</u>
Vacation and Comp Time	<u>\$ 26,043</u>

This liability has been computed based on rates of pay as of June 30, 2021.

(6) Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2022 is as follows:

CITY OF BRITT

Notes to Financial Statements

June 30, 2022

Transfer to	Transfer from	Amount
General	Special Revenue:	
	Emergency	\$ 14,503
	Local Option Sales Tax	55,000
	Enterprise:	
	Sewer	130,000
	Water	50,000
		<u>249,503</u>
Special Revenue:	Special Revenue:	
Road Use Tax	Local Option Sales Tax	<u>100,900</u>
Enterprise:	Special Revenue:	
Water	Local Option Sales Tax	50,000
Sewer		60,000
		<u>110,000</u>
Total		<u>\$460,403</u>

(7) Related Party Transactions

The City had business transactions between the City and City officials totaling \$13,896 during the year ended June 30, 2022.

(8) Risk Management

The City is exposed to various risks of loss related to torts; theft, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The City assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the last three fiscal years.

(9) Other Postemployment Benefits (OPEB)

Plan Description – The City operates a single-employer health benefit plan which provides medical/prescription drug and dental benefits for employees, retirees and their spouses. Group insurance benefits are established under Iowa Code Chapter 509A.13. The City currently finances the benefit plan on a pay-as-you-go basis. For the year ended June 30, 2022, the City contributed \$106,712 and plan members eligible for benefits contributed \$8,659 to the plan. At June 30, 2022, no assets have been accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75.

OPEB Benefits – Individuals who are employed by City of Britt and are eligible to participate in the group health plan are eligible to continue healthcare benefits upon retirement. Retirees under age 65 pay the same premium for the medical/prescription drug benefits as active employees, which results in an implicit rate subsidy.

CITY OF BRITT

Notes to Financial Statements

June 30, 2022

Retired participants must be age 55 or older at retirement, with the exception of special service participants who must be age 50 with 22 years of services. At June 30, 2022, the following employees were covered by the benefit terms:

Active employees	<u>11</u>
Total	<u>11</u>

(10) Deferred Compensation Agreements

The City offers all City employees a deferred compensation plan created in accordance with the Internal Revenue Code, Section 457. The assets of the plan were held in trust, as described in IRC Section 457(g) for the exclusive benefit of the participants (employees) and their beneficiaries. The custodian thereof for the exclusive benefit of the participants holds the custodial account for the beneficiaries of this Section 457 plan and the assets may not be diverted to any other use. The Administrators are agents of the employer for purposes of providing direction to the custodian of the custodial account from time to time for the investment of the funds held in the account, transfer of assets to or from the account and all other matters. In accordance with the provisions of GASB Statement 32, plan balances and activities are not reflected in the City's financial statements. The City does not make any contributions under the agreement.

(11) Tax Abatements

Governmental Accounting Standards Board Statement No. 77 defines tax abatements as a reduction in tax revenues that results from an agreement between one or more governments and an individual or entity in which (a) one or more governments promise to forgo tax revenues to which they are otherwise entitled and (b) the individual or entity promises to take a specific action after the agreement has been entered into that contributes to economic development or otherwise benefits the governments or the citizens of those governments.

City Tax Abatements

The City provides tax abatements for urban renewal and economic development projects with tax increment financing as provided for in Chapters 15A and 403 of the Code of Iowa. For these types of projects, the City enters into agreements with developers which require the City, after developers meet the terms of the agreements, to rebate a portion of the property tax paid by the developers, to pay the developers an economic development grant or to pay the developers a predetermined dollar amount. No other commitments were made by the City as part of these agreements.

For the year ended June 30, 2022, the City abated \$-0- of property tax under the urban renewal and economic development projects.

CITY OF BRITT

Notes to Financial Statements

June 30, 2022

(12) COVID-19

In March 2020, the COVID-19 outbreak was declared a global pandemic. The disruption to businesses across a range of industries in the United States continues to evolve. The full impact to local, regional and national economies, including that of City of Britt, remains uncertain.

To date, the outbreak has not created a material disruption to the operations of City of Britt. However, the extent of the financial impact of COVID-19 will depend on future developments, including the spread of the virus, duration and timing of the economic recovery. Due to these uncertainties, management cannot reasonably estimate the potential impact of City of Britt.

(13) Subsequent Events

The City entered into contracts totaling \$5,949,618 for construction of water treatment plant improvements and street paving to be financed from bonding and road use tax receipts..

OTHER INFORMATION

City of Britt

Budgetary Comparison Schedule
of Receipts, Disbursements, and Changes in Balances –
Budget and Actual (Cash Basis) – All Governmental Funds and Proprietary Funds

Other Information

Year ended June 30, 2022

	Governmental Funds Actual	Proprietary Funds Actual	Total	Budgeted Amounts		Final to Total Variance
				Original	Final	
Receipts:						
Property tax	\$ 1,059,557		1,059,557	1,084,224	1,134,224	(74,667)
Other city tax	348,406		348,406	267,397	239,500	108,906
Licenses and permits	7,360		7,360	4,725	4,725	2,635
Use of money and property	8,625	2,532	11,157	30,244	32,074	(20,917)
Intergovernmental	591,231		591,231	347,835	401,000	190,231
Charges for services	185,176	1,003,884	1,189,060	914,700	921,400	267,660
Special assessment	17,327		17,327	20,806	20,806	(3,479)
Miscellaneous	116,470		116,470	40,150	38,693	77,777
Total receipts	2,334,152	1,006,416	3,340,568	2,710,081	2,792,422	548,146
Disbursements:						
Public safety	648,421		648,421	523,961	674,819	26,398
Public works	576,055		576,055	620,825	596,625	20,570
Health and social services	5,300		5,300	6,000	6,000	700
Culture and recreation	287,007		287,007	318,574	380,784	93,777
Community and economic development	95,219		95,219	274,860	224,360	129,141
General government	183,665		183,665	221,945	287,257	103,592
Debt service	512,120		512,120	424,237	424,237	(87,883)
Capital projects	1,324,242		1,324,242	1,403,000	753,000	(571,242)
Business type activities		643,977	643,977	713,533	756,058	112,081
Total disbursements	3,632,029	643,977	4,276,006	4,506,935	4,103,140	(172,866)
Excess (deficiency) of receipts over (under) disbursements	(1,297,877)	362,439	(935,438)	(1,796,854)	(1,310,718)	375,280
Other financing sources (uses) net	1,675,763	(70,000)	1,605,763	1,400,000	1,211,995	393,768
Change in balances	377,886	292,439	670,325	(396,854)	(98,723)	769,048
Balances beginning of year	932,194	971,943	1,904,137	1,982,338	1,910,882	(6,745)
Cash balances end of year	\$ 1,310,080	1,264,382	2,574,462	1,585,484	1,812,159	762,303

See accompanying independent auditor's report.

City of Britt

Notes to Other Information – Budgetary Reporting

June 30, 2022

The budgetary comparison is presented in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the City Council annually adopts a budget on the cash basis following required public notice and hearing for all funds except Internal Service Funds. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures.

Formal and legal budgetary control is based upon nine major classes of disbursements known as functions, not by fund or fund type. These nine functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects and business type activities. Function disbursements required to be budgeted include disbursements for the General Fund, Special Revenue Funds, Debt Service Fund, Capital Projects Funds and Enterprise Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. During the year, two budget amendments decreased budget disbursements by \$403,795. The budget amendment is reflected in the final budgeted amounts.

During the year ended June 30, 2022 the City exceeded the amounts budgeted in the debt service, and capital projects functions.

City of Britt
Schedule of City Proportionate Share of the Net Pension Liability (Asset)

Iowa Public Employees' Retirement System
For the Last Eight Fiscal Years

Other Information

	2022	2021	2020	2019	2018	2017	2016	2015
City's proportion of the net pension liability (asset)	0.0524238%	0.004613%	0.0043448%	0.0041411%	0.0044274%	0.0041557%	0.0035066%	0.0031699%
City's proportionate share of the net pension liability (asset)	\$ (180,981)	324,048	251,590	262,061	294,921	261,532	173,243	125,717
City's covered payroll	\$ 586,763	563,679	559,881	554,587	530,412	446,419	433,407	406,125
City's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	(30.8)%	57.49%	44.94%	47.25%	55.60%	58.58%	39.98%	30.96%
IPERS' net position as a percentage of the total pension liability (asset)	100.81%	82.90%	85.45%	83.62%	82.21%	81.82%	85.19%	87.61%

* In accordance with GASB Statement No. 68, the amounts presented for each fiscal year were determined as of June 30 of the preceding fiscal year.

See accompanying independent auditor's report.

City of Britt
Schedule of City Contributions

Iowa Public Employees' Retirement System
Last 10 Fiscal Years

Other Information

	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
Statutorily required contribution	\$ 57,387	55,771	54,232	54,521	51,726	49,297	41,314	40,676	37,981	37,195
Contributions in relation to the statutorily required contribution	(57,387)	(55,771)	(54,232)	(54,521)	(51,726)	(49,297)	(41,314)	(40,676)	(37,981)	(37,195)
Contribution deficiency (excess)	\$									
City's covered payroll	\$ 611,986	586,763	563,679	559,881	554,587	530,412	446,419	433,407	406,125	404,846
Contributions as a percentage of covered payroll	9.40%	9.50%	9.62%	9.74%	9.33%	9.29%	9.25%	9.39%	9.35%	9.19%

See accompanying independent auditor's report.

City of Britt
Notes to Other Information – Pension Liability
Year ended June 30, 2022

Changes of benefit terms:

There is no significant changes in benefit terms.

Changes of assumptions:

The 2018 valuation implemented the following refinements as a result of a demographic assumption study dated June 28, 2018:

- Changed mortality assumptions to the RP-2014 mortality tables with mortality improvements modeled using Scale MP-2017.
- Adjusted retirement rates.
- Lowered disability rates.
- Adjusted the probability of a vested Regular member electing to receive a deferred benefit.
- Adjusted the merit component of the salary increase assumption.

The 2017 valuation implemented the following refinements as a result of an experience study dated March 24, 2017:

- Decreased the inflation assumption from 3.00 % to 2.60%.
- Decreased the assumed rate of interest on member accounts from 3.75% to 3.50% per year.
- Decreased the discount rate from 7.50% to 7.00%.
- Decreased the wage growth assumption from 4.00% to 3.25%.
- Decreased the payroll growth assumption from 4.00% to 3.25%.

The 2014 valuation implemented the following refinements as a result of a quadrennial experience study:

- Decreased the inflation assumption from 3.25% to 3.00%
- Decreased the assumed rate of interest on member accounts from 4.00% to 3.75% per year.
- Adjusted male mortality rates for retirees in the Regular membership group.
- Moved from an open 30 year amortization period to a closed 30 year amortization period for the UAL (unfunded actuarial liability) beginning June 30, 2014. Each year thereafter, changes in the UAL from plan experience will be amortized on a separate closed 20 year period.

SUPPLEMENTARY INFORMATION

Schedule of Cash Receipts, Disbursements
and Changes in Cash Balances
Nonmajor Governmental Funds

As of and for the year ended June 30, 2022

	Special Revenue						Total
	Housing Rehabilitation	Revolving Loan	Employee Benefits	Capital Improvement Reserve	Emergency	Sunset Ridge	
Receipts:							
Property tax			65,224	10,054	14,543		89,821
Intergovernmental			72,225	50			72,275
Miscellaneous		16,276					16,276
Total receipts		16,276	137,449	10,104	14,543		178,372
Disbursements:							
Public safety			107,537				107,537
Public works			19,854				19,854
Culture and recreation			19,228				19,228
Community and economic development			1,004				1,004
General government			(4,495)				(4,495)
Total disbursements			143,128				143,128
Excess (deficiency) of receipts over (under) disbursements		16,276	(5,679)	10,104	14,543		35,244
Other financing sources (uses):							
Transfers out					(14,503)		(14,503)
Total other financing sources (uses)					(14,503)		(14,503)
Change in cash balances		16,276	(5,679)	10,104	40		20,741
Cash balances beginning of year	\$ 45,706	84,336	12,343	39,198	185	80,000	261,768
Cash balances end of year	\$ 45,706	100,612	6,664	49,302	225	80,000	282,509
Cash Basis Fund Balances							
Restricted for other purposes	\$ 45,706	100,612	6,664	49,302	225		202,509
Unassigned						80,000	80,000
Total Cash Basis Fund Balances	\$ 45,706	100,612	6,664	49,302	225	80,000	282,509

See accompanying independent auditor's report.

City of Britt

Schedule of Receipts by Source and Disbursements by Function -
All Governmental Funds

For the Last Ten Years

	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
Receipts:										
Property tax	\$ 1,059,557	1,061,353	1,016,801	946,992	939,589	889,941	867,141	847,314	844,793	813,705
Other city tax	348,406	288,455	271,912	230,388	186,844	168,813	148,041	217,647	171,493	173,672
Licenses and permits	7,360	3,787	18,616	16,638	13,841	17,526	20,617	19,702	19,735	21,935
Use of money and property	8,625	11,346	21,375	36,368	13,335	10,407	10,078	15,577	16,095	18,564
Intergovernmental	591,231	429,057	345,785	397,960	328,334	465,283	539,987	273,764	263,004	253,846
Charges for service	185,176	200,161	161,615	197,434	181,069	181,196	188,113	182,032	172,293	74,879
Special assessments	17,327	18,099	18,620	28,449	23,057	32,336	26,110	29,711	26,610	27,171
Miscellaneous	116,470	243,763	88,185	89,984	197,586	103,574	143,119	59,755	54,391	63,713
Total	\$ 2,334,152	2,256,021	1,942,909	1,944,213	1,883,655	1,869,076	1,943,206	1,645,502	1,568,414	1,447,485
Disbursements:										
Operating:										
Public safety	\$ 648,421	692,446	385,937	421,642	400,194	450,576	281,063	346,350	322,187	280,695
Public works	576,055	876,137	451,003	516,980	509,917	360,641	376,520	442,368	348,656	365,894
Health and social services	5,300	5,300	5,300	5,300	5,300	5,145	4,995	6,200	4,950	5,500
Culture and recreation	287,007	442,068	215,963	267,917	197,714	198,054	200,500	230,639	229,912	208,234
Community and economic development	95,219	96,624	135,984	104,911	142,863	324,652	836,665	154,977	45,926	75,252
General government	183,665	236,048	238,656	259,797	135,161	198,736	233,560	233,682	283,279	185,002
Debt service	512,120	441,892	412,459	344,236	381,939	354,640	348,287	1,211,302	373,259	776,486
Capital projects	1,324,242	742,234	49,727	673,464	676,732	278,353				290,084
Total	\$ 3,632,029	3,532,749	1,895,029	2,594,247	2,449,820	2,170,797	2,281,590	2,625,518	1,608,169	2,187,147

See accompanying independent auditor's report.

Fort & Schlegel C.P.A., P.C.

CERTIFIED PUBLIC ACCOUNTANTS & ADVISORS

Independent Auditor's Report on Internal Control
over Financial Reporting and on Compliance and Other Matters
Based on an Audit of Financial Statements Performed in Accordance
with Government Auditing Standards

To the Honorable Mayor and
Members of the City Council:

We have audited in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Government Auditing Standards issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of City of Britt, Iowa, as of and for the year ended June 30, 2022 and the related notes to financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon April 27, 2023. Our report expressed unmodified opinions on the financial statements which were prepared on the basis of cash receipts and disbursements, a basis of accounting other than U.S. generally accepted accounting principles.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City of Britt's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Britt's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Britt's internal control.

A deficiency in internal control exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of City of Britt's financial statements will not be prevented or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings, we identified deficiencies in internal control we consider to be material weaknesses and significant deficiencies.

800 1st Ave. S
Fort Dodge, IA
515.955.5560

3131 Main St.
Emmetsburg, IA
712.852.4464

109 2nd St. NE
Mason City, IA
641.423.7155

516 N. Water St.
Goldfield, IA
515.825.3339

4 Main Ave. S
Britt, IA
641.843.3729

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the City's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiencies described in Part I of the accompanying Schedule of Findings as items I-A-22 through I-C-22 to be material weaknesses.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control which is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in Part I of the accompanying Schedule of Findings as items I-D-22 and I-E-22 to be significant deficiencies.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Britt's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters which are described in Part II of the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2022 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the City. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

City of Britt's Responses to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the City of Britt's responses to the findings identified in our audit and described in the accompanying Schedule of Findings. City of Britt's responses were not subjected to the other auditing procedures applied in the audit of the financial statements, and accordingly, we express no opinion on the responses.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing and not to provide an opinion on the effectiveness of the City's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of the City of Britt during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

April 27, 2023


Fort & Schlegel C.P.A., P.C.
Britt, Iowa

City of Britt
Schedule of Findings
Year ended June 30, 2022

Part I: Findings Related to the Financial Statements:

Internal Control Deficiencies:

I-A-22 Segregation of Duties

Criteria – Management is responsible for establishing and maintaining internal control. A good system of internal control provides for adequate segregation of duties so no one individual handles a transaction from its inception to completion. In order to maintain proper internal control, duties should be segregated so the authorization, custody and recording of transactions are not under the control of the same employee. This segregation of duties helps prevent losses from employee error or dishonesty and maximizes the accuracy of the City's financial statements.

Condition – One individual in the City has control over cash receipts, bank deposits, posting cash receipts to the cash receipts journal and reconciling the bank accounts.

Cause – The City has a limited number of employees and procedures have not been designed to adequately segregate duties or provide compensating controls through additional oversight of transactions and processes.

Effect – Inadequate segregation of duties could adversely affect the City's ability to prevent or detect and correct misstatements, errors or misappropriation on a timely basis by employees in the normal course of performing their assigned functions.

Recommendation – The City should review its control activities to obtain the maximum internal control possible under the circumstances utilizing currently available staff, including elected officials, to provide additional controls through review of financial transactions, reconciliations and financial report. The reviews should be documented by the signature or initials of the reviewer and the date of the review..

Response - We have reviewed procedures and will look at improvements.

Conclusion – Response accepted.

I-B-22 Reconciliation of Utility Billings, Collections and Delinquent Accounts

Criteria - An effective internal control system provides for internal controls related to maintaining delinquent accounts listings, reconciling utility billings, collections and delinquent accounts and comparing utility collections to deposits to ensure proper recording of utility receipts, the propriety of adjustments and write-offs and the propriety of delinquent account balances.

City of Britt

Schedule of Findings

Year ended June 30, 2022

Part I: Findings Related to the Financial Statements (continued):

Condition – Utility billings, collections and delinquent accounts were not reconciled throughout the year and a delinquent accounts listing was not prepared. Also, utility collections were not reconciled to deposits.

Cause - Policies have not been established and procedures have not been implemented to maintain delinquent account listings, reconcile utility billings, collections and delinquent account balances and to reconcile utility collections to deposits.

Effect – This condition could result in unrecorded or misstated utility receipts, improper or unauthorized adjustments and write-offs and/or misstated delinquent account balances.

Recommendation – A listing of delinquent accounts should be prepared on a monthly basis. Procedures should be established to reconcile utility billings, collections and delinquent accounts for each billing period and to reconcile collections to deposits. The City Council or a Council-designated independent person should review the reconciliations and monitor delinquents. The review of the reconciliations should be documented by the signature or initials of the reviewer and the date of review.

Response - These procedures have been implemented as recommended and will be followed.

Conclusion – Response accepted.

I-C-22 Monthly Bank Reconciliations

Criteria – A deficiency in internal control over financial reporting exists when the design or operation of a control does not allow management to effectively perform their fiduciary responsibilities related to city financial management.

Condition – Bank reconciliations were not performed correctly or timely therefore the monthly City Clerk's report presented to the City Council does not provide an accurate comparison of total disbursements to the certified budget by function.

Cause – Policies have not been established and procedures have not been implemented which require the City Clerk to provide the City Council with the required financial information to properly perform their duties.

Effect – The City Council may not have effective control over budgeted disbursements and the ability to amend the budget on a timely basis. In addition, City Council may not be aware of deficit fund balances.

Recommendation – The City Clerk should prepare correct bank reconciliations for all accounts timely for the monthly City Clerk's report which includes comparisons of total disbursements by function to the certified budget.

City of Britt

Schedule of Findings

Year ended June 30, 2022

Part I: Findings Related to the Financial Statements (continued):

Response – We agree with this recommendation and are working on doing reconciliations correctly and timely.

Conclusion – Response accepted.

I-D-22 Accounting Policies and Procedures Manual – The City does not have an accounting policies and procedures manual.

Criteria – Accounting policies and procedures manuals provide the following benefits:

- (1) Aid in training additional or replacement personnel.
- (2) Help achieve uniformity in accounting and in the application of policies and procedures.
- (3) Save supervisory time by recording decisions so that they will not have to be made each time the same, or similar, situation arises.

Condition – The City does not have a current accounting policies and procedures manual.

Cause – Adoption of an accounting policies and procedures manual has not been prioritized by the City.

Effect – Lack of an accounting policies and procedures manual could result in a lack of ability to continue operating effectively and efficiently in the event there is accounting staff turnover. It was noted that staff was not aware of certain requirements and reports until our audit. Required and necessary reports are not being completed and lead to mispostings.

Recommendation – An accounting policies and procedures manual should be developed for the City.

Response – We agree with this recommendation and will investigate.

Conclusion – Response accepted.

I-E-22 Payroll

Criteria – An effective internal control system provides for internal controls related to ensuring proper accounting and payroll procedures. Proper payroll accounting includes the proper and required policies and forms are followed.

Condition – Forms 941, Employer's Quarterly Federal Tax Returns were not being filed. Deposit of federal withholding tax were made but not always timely or to the correct period.

Cause – Clerk was not aware a quarterly federal tax return, 941, was required. Deposits of payroll taxes were made, although not always timely.

City of Britt

Schedule of Findings

Year ended June 30, 2022

Part I: Findings Related to the Financial Statements (continued):

Effect – Penalties may be incurred for not filing 941's and deposits correctly and timely.

Recommendation – Payroll tax deposits and forms must be timely made to avoid potential penalties.
Clerk needs to be instructed on required procedures.

Response – Form 941's have been filed with the Internal Revenue Service and Clerk will seek guidance on procedures.

Conclusion – Response accepted.

Instances of Non-compliance:

No matters were noted.

City of Britt

Schedule of Findings

Year ended June 30, 2022

Part II: Other Findings Related to Required Statutory Reporting:

II-A-21 Certified Budget – Disbursements during the year ended June 30, 2022 exceed the amounts budgeted in the debt service and capital projects functions. Chapter 384.20 of the Code of Iowa states, in part, “Public monies may not be expended or encumbered except under an annual or continuing appropriation.”

Recommendation – The budget should have been amended in accordance with Chapter 384.18 of the Code of Iowa before disbursements were allowed to exceed the budget.

Response – The budget will be amended in the future, if applicable.

Conclusion – Response accepted.

II-B-22 Questionable Disbursements – We noted no disbursements that do not meet the requirements of public purpose as defined in Attorney General’s opinion dated April 25, 1979.

II-C-22 Travel Expense - No disbursements of City money for travel expenses of spouses of City officials or employees were noted.

II-D-22 Business Transactions – Business transactions between the City and City officials or employees are detailed as follows:

Name, Title and Business Connection	Transaction Description	Amount
Jane Swenson, Treasurer, Owner Swenson's Hardware	Parts & supplies	\$ 13,596
Vance Hagen, Public Works Director	Equipment rental	300

In accordance with Chapter 362.5(3)(j) of the Code of Iowa, the transactions with Treasurer Swenson may represent a conflict of interest since a competitive bidding process was not utilized for all transactions and the total of the transactions were in excess of \$6,000. The transaction with the Public Works Director does not appear to represent a conflict of interest since the transaction was less than \$6,000.

II-E-22 Restricted Donor Activity – No transactions were noted between the City, City officials, City employees and restricted donors in compliance with Chapter 68B of the Code of Iowa.

II-F-22 Bond Coverage - Surety bond coverage of City officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.

II-G-22 Council Minutes – Certain transactions were found that we believe should have been approved in the Council minutes but were not.

City of Britt
Schedule of Findings
Year ended June 30, 2022

Part II: Other Findings Related to Required Statutory Reporting (continued):

Recommendation – The City should comply with Chapter 372.13(6) of the Code of Iowa and approve all disbursements.

Response - We will approve all disbursements.

Conclusion – Response accepted.

II-H-22 Deposits and Investments - No instances of noncompliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and the City's investment policy were noted.

II-I-22 Urban Renewal Annual Report – The urban renewal annual report was properly approved and certified to the Iowa Department of Management on or before December 1 and no exceptions were noted.

II-J-22 Annual Financial Report – The City completed and filed its June 30, 2021 AFR by December 1 as required by Chapter 384.22 of the Code of Iowa. However, the cash balance does not agree to the City's cash balance as recorded on the City's accounting records.

Recommendation – The City should reconcile the Annual Financial Report to the City's records before submission.

Response – We will comply with this recommendation.

Conclusion – Response accepted.

II-K-22 Sales Tax – During our review of disbursements it was noted that sales tax was paid on multiple invoices.

Recommendation – The City should not be paying sales tax on any purchases when it is not required.

Response – The City will be more diligent in not paying sales tax.

Conclusion – Response accepted.

City of Britt

Schedule of Findings

Year ended June 30, 2022

Part II: Other Findings Related to Required Statutory Reporting (continued):

II-L-22 Questionable Donations – During the fiscal year ended June 30, 2022, the City donated \$4,000 to the Britt Draft Horse Association, \$10,000 to Hobo Days Association and \$200 to Hobo Art Gallery.

The Constitution of the State of Iowa prohibits governmental bodies from making a gift to private, non-profit corporations. Article III, Section 31 of the Constitution of the State of Iowa states “...no public money or property shall be appropriated for local or private purposes, unless such appropriation, compensation or claim be allowed by two-thirds of the members elected to each branch of the General Assembly.”

At least six official Iowa Attorney General Opinions since 1972 have consistently concluded that “a governmental body may not donate public funds to a private entity, even if the entity is established for charitable educational purposes and performs work which the government couldn’t perform directly.: The Opinions further state, “Even if the function of a private non-profit corporation fits within the scope of activities generally recognized as serving a public purpose, a critical question exists regarding whether funds or property transferred to a private entity will indeed be used for those public purposes.”

“Political subdivisions and municipalities, including cities, counties, schools and townships are municipal – governmental – entities. As governmental entities they are governed by elected bodies, are directly responsible to the public as a whole, and are subject to the limitations imposed on them by the state. Although a private organization may be formed to provide and support ‘public’ services which are the same or similar to the services provided by government, the private organizations are not subjected to the same degree of public accountability and oversight as governmental entities.”

Recommendation – We are not aware of any statutory authority for the City to donate public funds to private non-profit organizations. We understand the economic development reasoning for the contribution to Britt Draft Horse Association and Hobo Days Association, however that was not disclosed in the minutes. The City should immediately cease making future such donations.

Response – The Mayor and City Clerk have discussed approving resolutions regarding the disbursement to entities with documentation showing the need in our LMI (low to moderate income) community that supporting these non-profit organizations would meet the public purpose as our LMI is below 50%.

Conclusion – Response acknowledged. A low LMI in the City does not negate the requirements of the Iowa Constitution which prohibits donations to private organizations. The City should cease making future donations.

II-M-22 Sales Tax – Sales tax was inadvertently being charged on the minimum sewer service provided to residential customers.

City of Britt

Schedule of Findings

Year ended June 30, 2022

Part II: Other Findings Related to Required Statutory Reporting (continued):

Recommendation – The City should not assess sales tax on sewer service provided to residential customers in accordance with the Iowa Department of Revenue Administrative Rules and Regulations. Customer accounts should be credited for the overcharge.

Response – This has been corrected.

Conclusion – Response accepted.